



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Approve Resolution to Adopt an Alternative Retirement System for Part Time, Seasonal, and Temporary Employees

MEETING DATE: August 16, 2006

PREPARED BY: Kirk J. Evans, Risk Manager

- RECOMMENDED ACTION:**
- 1) Adopt the resolution to participate in the Public Agency Retirement System (PARS) as an alternative retirement plan in lieu of Social Security for part-time, seasonal, and temporary employees effective the first full pay period in September 2006.
 - 2) Approve the funding and contribution split whereby the City will pay administration costs and employees pay a 7.5% contribution rate.
 - 3) Authorize the City Manager to sign the agreement for Administrative Services (Exhibit B).

BACKGROUND INFORMATION: At the Shirtsleeve Session of Tuesday, May 9th, 2006, the Deputy City Manager presented an overview of the Alternate Retirement System to the City Council. He promised to return to a regular City Council meeting with the necessary documents required to implement a defined contribution system and for hiring a trustee to administer the plan.

In 1990, the Federal government mandated through enactment of the Omnibus Budget Reconciliation Act (OBRA 90) that in addition to retirement programs offered to regular, full-time employees, public agencies must also provide for retirement benefits for its part-time seasonal and temporary employees (PST's). After the passage of OBRA, the City chose to enroll its part-time, seasonal and temporary employees in Social Security.

For PST's, the City of Lodi participates in the federal Social Security System - FICA, and contributes 12.4% of an employee's annual salary (6.2% employer contribution and an additional 6.2% on behalf of the employees). The City of Lodi has approximately 300 currently active PST's. In FY 2005-06 payroll for those PST's enrolled in Social Security totaled approx. \$964,500.

Staff has researched the Alternate Retirement System concept and determined the benefits for the City and affected employees to participate in an alternative plan. We have contacted the City's three deferred compensation providers to determine whether they are capable or interested in providing an alternative retirement plan and not received an enthusiastic response. Staff is recommending that the City Council consider the Public Agency Retirement System (PARS) as an alternative plan in lieu of Social Security for PST's. PARS, founded in 1990, provides an alternative retirement plan that satisfies federal requirements and includes 145 participating public agencies in California. The PARS plan will significantly reduce costs for the City of Lodi.

APPROVED: _____

Blair King, City Manager

PARS Benefits

There are several benefits for PST's associated with participation in the PARS retirement program as an alternative to Social Security. Specifically:

- 1) PARS contributions are pre-tax. Social Security is post-tax and requires that the employee make contributions after taxes are paid. This results in greater net take home pay for the employee.
- 2) PARS plan participants are fully vested in their individual accounts. All employee contributions are held in Trust and cannot be accessed by creditors of the Trustee or the City.
- 3) In the event of the participants termination of employment, assets in his/her account may be (a) distributed as a lump-sum to the participant, (b) rolled over to an IRA or other qualified retirement plan that accepts rollovers, or (c) used to purchase PERS service credits, if the employee is eligible.
- 4) Employees can reenter the PARS program at anytime if they are rehired by the City (i.e. PST's who skip a summer of employment but expect to return the following summer/season). At the employee's election, their contributions may remain in an account until the plan administrator is notified of final termination.
- 5) Of course, a major benefit of PARS is the elimination of uncertainty. Once an employee is eligible and decides to access their PARS account, the money will be there. With Social Security there is no such guarantee.

The financial benefits that PARS provides for the City are described further under "Fiscal Impact" below.

Contribution Split

Social Security requires a contribution of the equivalent of 12.4% of salary; however, OBRA requires a 7.5% contribution to a fully vested retirement account. The City determines the contribution split between the employee and employer. There are three basic forms of contribution split:

Contribution Split	Employer	Employee
Scenario 1	1.30%	6.20%
Scenario 2	3.75%	3.75%
Scenario 3	0.00%	7.50%

Other participating agencies recently joining PARS have decided upon the split represented in Scenario 3 - 7.50% employee and 0% employer. **Staff recommends that the City of Lodi implement Scenario 3.** Even with the additional 1.3% contribution rate, from 6.2 to 7.5%, the net effect of using pre-tax dollars will result in additional take home pay to the employee.

Transitioning into PARS

There are three approaches whereby current PST's could be transitioned into participation in the PARS plan:

- 1) Enroll all PST's immediately into PARS effective the first full pay period in September 2006 (in the case of new employees, enrollment in PARS would be effective their first day on the job).

- 2) Allow PST's to select whether they wish to participate in Social Security or PARS.
- 3) Enroll all PST's immediately into PARS, but allow those with greater than 30 quarters to decide whether to remain in Social Security until they become vested in Social Security or join PARS immediately.

It takes 40 quarters to become vested in Social Security. Currently there are only two PST's who have earned greater than 30 quarters while employed by the City. It is possible other PST's may have earned greater than 30 quarters via a combination of City of Lodi employment and other agency employment, but it is impossible to know without asking each person.

The following table provides a breakdown of the City's 300 currently active PST's:

Quarters earned with City	No. of PST's	Percent
Zero quarters	183	61
Zero to 20 quarters	105	35
20 to 30 quarters	10	3.3
30 quarters or more	2	0.7
Total	300	100

Exhibit A attached provides a more detailed breakdown of current active PST's ages, Social Security quarters earned through employment with the City, and earnings since 1998.

Staff recommends that the City implement the third transitioning approach. This will allow those PST's who may have a reasonable chance of reaching the 40 quarter mark to do so if they wish.

FISCAL IMPACT:

1. With an employee contribution rate of 7.50%, the City will save at least \$56,198 per year. Greater savings will be realized as PST salaries and staffing levels increase in the future should the City's fiscal health improve. This savings is a permanent reduction to annual payroll costs.

City of Lodi	Social Security	PARS
PST Employees	300	300
Annual Payroll Contribution	\$964,484	\$964,484
Employer Contribution Rate	x6.2%	x 0%
Retirement benefit Cost to City	\$59,798	none
PARS Administrative Fee	-	+\$3,600
Total Cost to City	\$59,798	\$3,600

Social Security Cost	\$59,798
Less PARS Admin. Fee	\$3,600
Savings to City of Lodi	\$56,198

2. The PARS plan is a turn-key administration. The Trust Administrator, Phase II Systems (PARS), handles all personnel and participant inquiries, performs monthly valuations of participant accounts, administers the distribution process, ensures reporting requirements, and assures government compliance.

FUNDING AVAILABLE: N/A – the funding source used to pay Social Security contributions for PST's will be reduced by the savings described above.



Ruby Faiste, Financial Services Manager



James Krueger
Deputy City Manager

Attachments

EXHIBIT A

	Department	Age	Social Security Qtrs	Earnings since 1998
1	Police	40.1	28	102,332
2	Electric Utility	67.1	8	90,778
3	Parks & Recreation	38.8	28	72,436
4	Parks & Recreation	70.9	32	60,938
5	Library	36.2	16	53,008
6	Parks & Recreation	20.6	24	51,386
7	Library	59.0	24	50,431
	mean	47.5	22.9	
1	Parks & Recreation	24.2	16	44,061
2	Parks & Recreation	53.7	16	43,686
3	Parks & Recreation	28.6	20	41,984
4	Parks & Recreation	23.5	16	41,869
5	Parks & Recreation	22.5	16	39,433
6	Parks & Recreation	41.5	32	39,316
7	Police	22.3	16	37,313
8	Parks & Recreation	24.1	20	37,247
9	Parks & Recreation	54.9	24	36,574
10	Parks & Recreation	38.0	24	35,452
11	Administration	24.2	8	34,571
12	Parks & Recreation	34.4	16	33,601
13	Library	55.3	16	33,466
14	Public Works	69.5	16	30,899
15	Public Works	46.8	16	30,377
16	Parks & Recreation	69.8	20	30,336
17	Community Developm	46.3	4	29,899
18	Library	24.1	12	29,748
19	Administration	29.3	8	29,666
20	Library	70.7	20	29,248
21	Parks & Recreation	21.4	12	28,728
22	Parks & Recreation	28.0	12	28,618
23	Parks & Recreation	67.9	8	26,549
24	Library	19.8	16	25,559
	mean	39.2	16.0	
1	Parks & Recreation	23.7	8	24,025
2	Parks & Recreation	34.5	12	22,867
3	Parks & Recreation	33.0	4	22,663
4	Parks & Recreation	31.4	8	22,366
5	Administration	73.2	12	21,609
6	Administration	50.5	8	20,744
7	Administration	71.2	8	20,138
8	Parks & Recreation	18.6	8	19,298
9	Library	44.6	4	19,289
10	Parks & Recreation	21.4	12	19,272
11	Administration	21.9	12	18,978
12	Administration	24.2	8	18,722
13	Parks & Recreation	82.4	12	18,667
14	Parks & Recreation	21.2	8	18,244
15	Parks & Recreation	43.9	4	18,013
16	Parks & Recreation	53.3	8	17,537
17	Parks & Recreation	17.7	4	17,385
18	Parks & Recreation	21.8	8	17,306
19	Parks & Recreation	21.7	8	17,040
20	Administration	23.1	8	16,916

	Department	Age	Social Security Qtrs	Earnings since 1998
21	Public Works	65.8	4	16,545
22	Parks & Recreation	72.8	0	15,923
23	Parks & Recreation	20.2	12	15,884
24	Parks & Recreation	21.1	8	15,574
25	Parks & Recreation	52.8	8	15,533
26	Administration	66.4	12	15,326
27	Parks & Recreation	65.3	0	14,850
28	Parks & Recreation	23.8	8	14,776
29	Parks & Recreation	21.2	8	14,516
30	Public Works	21.5	4	14,004
31	Library		4	13,479
32	Parks & Recreation	20.3	8	13,186
33	Parks & Recreation	23.9	8	13,112
34	Parks & Recreation	22.5	4	12,888
35	Parks & Recreation	25.8	4	12,860
36	Parks & Recreation	17.6	8	12,622
37	Library	49.9	8	12,502
38	Parks & Recreation	24.9	4	12,416
39	Library	18.7	4	11,843
40	Library	18.0	4	11,653
41	Administration	20.5	0	11,498
42	Parks & Recreation	25.5	0	11,496
43	Administration	21.4	0	11,272
44	Library	53.2	0	11,265
45	Administration	21.2	4	11,154
46	Parks & Recreation	42.9	0	11,130
47	Parks & Recreation	19.0	4	11,115
48	Library	20.5	8	11,016
49	Parks & Recreation	53.9	4	11,011
50	Administration	20.9	0	10,941
51	Parks & Recreation	60.5	4	10,910
52	Parks & Recreation	19.9	4	10,710
53	Parks & Recreation	18.6	4	10,408
54	Public Works	24.6	4	10,356
55	Parks & Recreation	51.4	0	10,349
56	Parks & Recreation	23.4	4	10,307
57	Parks & Recreation	18.0	4	10,303
58	Parks & Recreation	41.3	0	10,252
59	Library	20.8	4	10,164
60	Parks & Recreation	20.2	0	10,111
61	Parks & Recreation	64.9	4	10,086
62	Parks & Recreation	18.3	4	10,043
63	Parks & Recreation	19.7	4	10,004
	mean	33.6	5.5	
1	Parks & Recreation	24.2	4	9,820
2	Parks & Recreation	46.0	0	9,763
3	Community Developm	41.7	4	9,539
4	Public Works	28.4	8	9,467
5	Administration	18.1	4	9,281
6	Library		0	9,242
7	Parks & Recreation	45.8	4	9,240
8	Parks & Recreation	18.7	4	9,168
9	Parks & Recreation	23.7	0	9,036
10	Parks & Recreation	18.6	4	8,942
11	Parks & Recreation	17.6	4	8,837

	Department	Age	Social Security Qtrs	Earnings since 1998
12	Parks & Recreation	58.8	0	8,783
13	Parks & Recreation	20.5	4	8,571
14	Library	21.2	4	8,448
15	Public Works	56.3	0	8,305
16	Parks & Recreation	21.6	4	8,161
17	Parks & Recreation	22.7	0	8,125
18	Parks & Recreation	19.9	0	8,055
19	Parks & Recreation	62.2	4	8,005
20	Administration		0	7,833
21	Parks & Recreation	30.1	4	7,724
22	Parks & Recreation	51.3	0	7,719
23	Library	54.9	4	7,567
24	Parks & Recreation	23.1	4	7,469
25	Parks & Recreation	18.5	0	7,456
26	Parks & Recreation	16.8	0	7,195
27	Parks & Recreation	48.8	4	7,029
28	Library	33.7	4	6,955
29	Parks & Recreation	35.5	4	6,909
30	Parks & Recreation	55.9	0	6,867
31	Administration	39.7	4	6,805
32	Administration	22.5	4	6,734
33	Parks & Recreation	23.0	4	6,681
34	Parks & Recreation	21.4	0	6,601
35	Parks & Recreation	58.9	4	6,587
36	Parks & Recreation	17.3	4	6,487
37	Parks & Recreation	18.5	4	6,457
38	Parks & Recreation	42.5	0	6,435
39	Parks & Recreation	26.1	0	6,382
40	Administration	44.4	0	6,346
41	Administration	52.7	4	6,328
42	Parks & Recreation	20.9	0	6,254
43	Parks & Recreation	17.2	4	6,245
44	Parks & Recreation	23.5	0	5,973
45	Administration	57.3	4	5,962
46	Parks & Recreation	22.4	0	5,952
47	Parks & Recreation	18.3	0	5,884
48	Parks & Recreation	18.9	0	5,731
49	Community Developm	52.6	0	5,661
50	Parks & Recreation	17.0	4	5,470
51	Parks & Recreation	18.2	4	5,359
52	Parks & Recreation	19.1	0	5,332
53	Parks & Recreation	17.1	0	5,292
54	Parks & Recreation	48.9	0	5,170
55	Parks & Recreation	20.2	0	5,143
56	Parks & Recreation	17.9	4	5,121
57	Parks & Recreation	42.5	0	5,089
58	Administration	51.3	0	5,069
59	Parks & Recreation	56.6	0	5,064
60	Library	32.0	4	5,025
	mean	32.3	2.1	
1	Parks & Recreation	64.2	0	4,911
2	Parks & Recreation	53.0	0	4,850
3	Parks & Recreation	50.4	0	4,849
4	Parks & Recreation	29.2	4	4,809
5	Parks & Recreation	56.9	0	4,804

	Department	Age	Social Security Qtrs	Earnings since 1998
6	Administration	18.0	0	4,709
7	Parks & Recreation	19.2	0	4,686
8	Parks & Recreation		0	4,601
9	Parks & Recreation	31.0	4	4,470
10	Parks & Recreation	31.3	0	4,450
11	Parks & Recreation	56.0	0	4,424
12	Parks & Recreation	17.9	0	4,417
13	Parks & Recreation	17.6	0	4,347
14	Parks & Recreation	18.9	0	4,275
15	Parks & Recreation	19.8	4	4,166
16	Parks & Recreation	21.2	0	4,094
17	Parks & Recreation	18.8	0	4,067
18	Police	43.0	0	4,001
19	Parks & Recreation	55.5	0	3,933
20	Parks & Recreation	19.1	0	3,919
21	Parks & Recreation	18.1	0	3,879
22	Parks & Recreation	18.1	0	3,878
23	Parks & Recreation	21.8	0	3,862
24	Parks & Recreation	33.1	0	3,766
25	Parks & Recreation	18.8	0	3,726
26	Parks & Recreation	52.2	0	3,714
27	Library	24.4	0	3,678
28	Parks & Recreation	19.3	0	3,633
29	Parks & Recreation		0	3,589
30	Administration	59.6	0	3,582
31	Parks & Recreation	16.8	0	3,524
32	Administration	27.0	0	3,468
33	Administration	26.8	0	3,439
34	Parks & Recreation	51.5	0	3,428
35	Parks & Recreation	16.2	0	3,314
36	Parks & Recreation		0	3,305
37	Parks & Recreation	17.5	0	3,303
38	Parks & Recreation		0	3,233
39	Parks & Recreation	58.0	0	3,182
40	Parks & Recreation	17.8	0	3,166
41	Parks & Recreation	19.9	0	3,122
42	Parks & Recreation	26.1	0	3,111
43	Parks & Recreation	38.3	0	3,087
44	Library	19.7	0	2,945
45	Parks & Recreation	20.5	0	2,876
46	Parks & Recreation	32.6	0	2,852
47	Parks & Recreation	19.3	0	2,812
48	Parks & Recreation	19.6	0	2,789
49	Parks & Recreation	36.6	0	2,783
50	Parks & Recreation	17.7	0	2,742
51	Parks & Recreation	46.8	0	2,724
52	Parks & Recreation	24.8	0	2,717
53	Parks & Recreation	21.1	0	2,669
54	Parks & Recreation	18.3	0	2,669
55	Parks & Recreation	50.1	0	2,663
56	Parks & Recreation	20.0	0	2,629
57	Parks & Recreation		0	2,615
58	Parks & Recreation	19.3	0	2,593
59	Parks & Recreation	17.3	0	2,550
60	Parks & Recreation		0	2,532
61	Public Works	36.4	0	2,457

	Department	Age	Social Security Qtrs	Earnings since 1998
62	Administration	28.3	0	2,375
63	Parks & Recreation	51.3	0	2,362
64	Library	19.4	0	2,329
65	Parks & Recreation	18.0	0	2,318
66	Parks & Recreation	54.9	0	2,268
67	Parks & Recreation	62.7	0	2,187
68	Parks & Recreation	19.4	0	2,130
69	Parks & Recreation	22.9	0	2,129
70	Community Developm	45.9	0	2,110
71	Parks & Recreation	16.3	0	2,097
72	Parks & Recreation	44.9	0	2,089
73	Community Developm		0	2,069
74	Parks & Recreation	18.5	0	1,983
75	Parks & Recreation	56.4	0	1,932
76	Administration	33.8	0	1,892
77	Parks & Recreation	17.7	0	1,872
78	Parks & Recreation	17.6	0	1,870
79	Parks & Recreation	18.1	0	1,843
80	Library	27.7	0	1,834
81	Parks & Recreation	18.6	0	1,813
82	Parks & Recreation	19.0	0	1,739
83	Parks & Recreation	19.4	0	1,723
84	Parks & Recreation	18.1	0	1,599
85	Community Developm		0	1,575
86	Parks & Recreation	43.7	0	1,565
87	Parks & Recreation	19.4	0	1,536
88	Community Developm	53.4	0	1,420
89	Parks & Recreation	17.9	0	1,407
90	Parks & Recreation		0	1,402
91	Administration	19.2	0	1,370
92	Parks & Recreation	16.7	0	1,313
93	Parks & Recreation	21.4	0	1,270
94	Parks & Recreation	53.0	0	1,267
95	Parks & Recreation	18.5	0	1,219
96	Parks & Recreation	22.1	0	1,208
97	Parks & Recreation	23.2	0	1,195
98	Administration	25.4	0	1,131
99	Parks & Recreation	20.4	0	1,117
100	Parks & Recreation	18.9	0	1,114
101	Community Developm	44.8	0	1,112
102	Parks & Recreation	19.7	0	1,091
103	Library	52.3	0	1,057
104	Parks & Recreation	25.3	0	1,018
105	Parks & Recreation	18.0	0	905
106	Parks & Recreation	16.6	0	896
107	Parks & Recreation	16.3	0	891
108	Parks & Recreation	55.9	0	847
109	Parks & Recreation	21.2	0	817
110	Parks & Recreation	21.0	0	760
111	Parks & Recreation	38.0	0	728
112	Parks & Recreation	21.5	0	726
113	Parks & Recreation	17.3	0	698
114	Parks & Recreation	17.2	0	651
115	Parks & Recreation	16.9	0	634
116	Parks & Recreation	18.7	0	579
117	Parks & Recreation	17.3	0	473

	Department	Age	Social Security Qtrs	Earnings since 1998
118	Parks & Recreation	16.9	0	470
119	Parks & Recreation	17.9	0	461
120	Parks & Recreation	19.6	0	458
121	Parks & Recreation	19.4	0	432
122	Library	51.2	0	429
123	Administration	20.9	0	412
124	Parks & Recreation	19.0	0	404
125	Parks & Recreation	18.1	0	398
126	Parks & Recreation	17.7	0	368
127	Parks & Recreation	17.2	0	342
128	Parks & Recreation	45.6	0	311
129	Community Developm		0	300
130	Parks & Recreation	20.2	0	271
131	Parks & Recreation	18.2	0	256
132	Parks & Recreation	17.0	0	256
133	Parks & Recreation	18.8	0	241
134	Parks & Recreation	18.9	0	240
135	Parks & Recreation	17.0	0	233
136	Parks & Recreation	23.8	0	204
137	Community Developm		0	195
138	Parks & Recreation	18.1	0	140
139	Parks & Recreation	18.4	0	138
140	Parks & Recreation	18.6	0	132
141	Parks & Recreation	17.2	0	108
142	Parks & Recreation	18.5	0	69
143	Parks & Recreation	17.2	0	60
144	Parks & Recreation	59.9	0	59
145	Parks & Recreation	57.1	0	51
	mean	27.8	0.1	

AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement ("Agreement") is made this ____ day of _____, 2006, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services (hereinafter "PARS") and the City of Lodi ("Agency").

WHEREAS, Agency has adopted the City of Lodi PARS Section 457 FICA Alternative Retirement Plan (the "Plan") effective _____, 2006, and is desirous of retaining PARS, as Trust Administrator to the PARS Trust, to provide administrative services;

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as "Exhibit 1" ("Services") in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as "Exhibit 2".
3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.
4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with written notice of the subject services, terms, and an estimate of the fees therefore.
5. **Information Furnished to PARS.** PARS will provide the Service contingent upon the Agency's providing PARS the information specified in the exhibit attached hereto as "Exhibit 3" ("Data"). It shall be the responsibility of the Agency to certify the accuracy, content and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1, PARS shall be under no

duty to question Data received from the Agency, to compute contributions made to the Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for non performance of Services if such non performance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner and pursuant to the specifications in Exhibit 3, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.

6. **Suspension of Contributions.** In the event contributions are suspended, either temporarily or permanently, prior to the complete discharge of PARS' obligations under this Agreement, PARS reserves the right to bill the Agency for Services under this Agreement at the rates indicated in PARS' standard fee schedule in effect at the time the services are provided, subject to the terms established in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with written notice of the subject services, terms, and an estimate of the fees therefore.

7. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.

8. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.

9. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.

10. **Indemnification.** PARS and Agency hereby indemnify each other and to hold the other harmless, including their respective officers, directors, employees, agents and attorneys, from any claim, loss, demand, liability, or expense, including reasonable

attorneys' fees and costs, incurred by the other as a consequence of PARS' or Agency's, as the case may be, acts, errors or omissions with respect to the performance of their respective duties hereunder.

11. Compliance with Applicable Law. The Agency shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.

13. Force Majeure. When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by such cause, including but not limited to: any incidence of fire, flood, acts of God, acts of terrorism or war, commandeering of material, products, plants or facilities by the federal, state or local government, or a material act or omission by the other party.

14. Ownership of Reports and Documents. The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to, and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.

15. Designees. The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Board of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.

16. Notices. All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

(A) To PARS: PARS; 5141 California Avenue, Suite 150; Irvine, CA 92617; Attention: President

(B) To Agency: City of Lodi; 221 West Pint Street, Lodi, CA 95241-1910; Attention: _____ (Plan Administrator)

Notices shall be deemed given on the date received by the addressee.

17. Term of Agreement. This Agreement shall remain in effect for the period beginning _____, 2006 and ending _____, 2009 ("Term"). This Agreement will continue unchanged for successive twelve month periods following the Term unless either party gives written notice to the other party of the intent to terminate prior to ninety (90) days before the end of the Term.

18. Amendment. This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.

19. Entire Agreement. This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement. In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.

20. Attorneys Fees. In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.

21. Counterparts. This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.

22. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

23. Effective Date. This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

AGENCY:

BY: _____

TITLE: _____ (Plan Administrator)

DATE: _____

PARS:

BY: _____

TITLE: Senior Vice President

DATE: _____

EXHIBIT 1

SERVICES

PARS will provide the following services for the City of Lodi PARS Section 457 FICA Alternative Retirement Plan:

1. Plan Installation Services:

(A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, benefit communication strategies, data reporting and contribution submission requirements;

(B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;

(C) Providing for review by Agency legal counsel the documentation needed to establish the Plan;

2. Plan Administration Services:

(A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Trust Program ("Trustee"), based upon information received from the Agency and the Trustee;

(B) Performing periodic accounting of Plan assets, including the allocation of employer and employee contributions, distributions, investment activity and expenses (if applicable) to individual Plan participant ("Participant") accounts, based upon information received from the Agency and/or Trustee;

(C) Acting as ongoing liaison between the Participant and the Agency in regard to distribution payments, which shall include use by the Participants of toll-free telephone communication to PARS;

(D) Coordinating the processing of Participant distribution payments pursuant to authorized written Agency certification of distribution eligibility, authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;

(E) Directing Trustee to liquidate Plan assets (if necessary) and make Participant distribution payments, and producing required tax filings regarding to said distribution payments;

(F) Notifying the Trustee of the amount of Plan assets available for further investment and management, or, the amount of Plan assets necessary to be liquidated in order to fund Participant distribution payments;

(G) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope this Agreement;

(H) Preparing and submitting periodic reports of non-contributing Participants to the Agency;

(I) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;

(J) Preparing and submitting an annual report of Plan activity to the Agency;

3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice. In providing the services specified above, PARS will retain qualified professional service providers at its cost as it deems necessary if the service lies outside its area of expertise.

EXHIBIT 2
FEES FOR SERVICES

1. PARS will be compensated for performance of Services, as described in Exhibit 1 based upon the following schedule:

(A) A distribution fee equal to \$12.00 per terminated Participant ("Distribution Fee"), which shall be deducted solely from the terminating Participant's account;

(B) An annual asset fee paid [by the Agency] [from Plan Assets] based on the following schedule:

<u>For Plan Assets from:</u>	<u>Annual Rate:</u>
\$1 to \$500,000	2.00%
\$500,001 to \$2,500,000	1.50%
\$2,500,001 to \$5,000,000	1.25%
\$5,000,001 to \$10,000,000	1.00%
\$10,000,001 and above	0.75%

Annual rates are prorated and paid monthly. The annual asset fee shall be calculated by the following formula [Annual Rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month]. Asset based fees are subject to a \$300.00 monthly minimum. The total Asset Fees due in a given month shall be allocated proportionately among Participants of the Agency's Plan in that month, based on account balance. Trustee and Investment Management Fees are not included.

(C) A fee equal to the out of pocket costs charged to PARS by an outside contractor for formatting contribution data on to a suitable magnetic media, charged only if the contribution data received by PARS from the Agency is not on readable magnetic media ("Data Processing Fee").

EXHIBIT 3

DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information:

1. Contribution Data – readable magnetic media containing the following items of employee information related to the covered payroll period:
 - (A) Agency name
 - (B) Employee's legal name
 - (C) Employee's social security number
 - (D) Payroll date
 - (E) Employer contribution amount
 - (F) Employee contribution amount
2. Distribution Data – written Plan Administrator's (or authorized Designee's) direction to commence distribution processing, which contains the following items of Participant information:
 - (A) Agency name
 - (B) Participant's legal name
 - (C) Participant's social security number
 - (D) Participant's address
 - (E) Participant's phone number
 - (F) Participant's birthdate
 - (G) Participant's condition of eligibility
 - (H) Participant's effective date of eligibility
 - (I) Signed certification of distribution eligibility from the Plan Administrator, or authorized Designee
3. Executed Legal Documents:
 - (A) Certified City Council Resolution
 - (B) Adoption Agreement
 - (C) Plan Document
 - (D) Trustee Investment Forms
4. Other information requested by PARS

RESOLUTION NO. 2006-161

A RESOLUTION OF THE LODI CITY COUNCIL APPROVING AND
AUTHORIZING PARTICIPATION IN THE PUBLIC AGENCY RETIREMENT
SYSTEM AS AN ALTERNATIVE RETIREMENT SYSTEM FOR PART TIME,
SEASONAL, AND TEMPORARY EMPLOYEES; AND FURTHER
APPROVING FUNDING AND CONTRIBUTION SPLIT

WHEREAS, it has been determined to be in the City's best interest and its employees to provide a Qualifying Retirement System for all its employees not currently eligible for such a Qualifying Retirement System ("Deferred Compensation Federal Insurance Contributions Act (FICA) Alternative Plan"), thereby meeting the requirements of Section 11332 of the Omnibus Budget Reconciliation Act (OBRA 90) and Section 3121(b)(7)(F) of the Internal Revenue Code; and

WHEREAS, the Public Agency Retirement System (PARS) has made such a system available to the City and its eligible employees and qualifies under OBRA 90 Section 11332, IRC Sections 3121(b)(7)(F) and 457(b), and meets the meaning of the term "retirement system" as given by Section 218(b)(4) of the Federal Social Security Act.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The City Council hereby adopts the PARS 457 Trust, including the PARS Section 457 FICA Alternative Retirement Plan, effective November 1, 2006, the Effective Date for the benefit of employees on that date and hired thereafter; and
2. The City Council hereby appoints the City Manager or his/her successor or his/her designee as the City's Plan Administrator for PARS; and
3. The City's Plan Administrator is hereby authorized to implement the plan(s), execute the PARS legal documents on behalf of the City and to take whatever additional actions are necessary to maintain the City's participation in PARS and to maintain PARS compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS plan(s).
4. The City Council hereby approves the funding and contribution split whereby the City will pay administration costs and employees pay a 7.5% contribution rate.

Dated: August 16, 2006

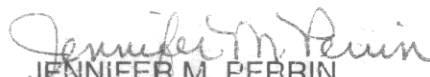
I hereby certify that Resolution No. 2006-161 was passed and adopted by the Lodi City Council in a regular meeting held August 16, 2006, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Johnson, Mounce
and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


JENNIFER M. PERRIN
Interim City Clerk

- 2) Allow PST's to select whether they wish to participate in Social Security or PARS.
- 3) Enroll all PST's immediately into PARS, but allow those with greater than 30 quarters to decide whether to remain in Social Security until they become vested in Social Security or join PARS immediately.

It takes 40 quarters to become vested in Social Security. Currently there are only four PST's who have earned greater than 30 quarters while employed by the City. It is possible other PST's may have earned greater than 30 quarters via a combination of City of Lodi employment and other agency employment, but it is impossible to know without asking each person.

The following table provides a breakdown of the City's 300 currently active PST's:

Quarters earned with City	No. of PST's	Percent
Zero quarters	62	20.7
1 to 5 quarters	133	44.3
6 to 10 quarters	52	17.3
11 to 15 quarters	20	6.7
16 to 20 quarters	19	6.3
21 to 25 quarters	7	2.3
26 to 30 quarters	3	1.0
30 quarters or more	4	1.3
Total	300	100

Staff recommends that the City implement the third transitioning approach. This will allow those PST's who may have a reasonable chance of reaching the 40 quarter mark to do so if they wish.

FISCAL IMPACT:

1. With an employee contribution rate of 7.50%, the City will save at least \$56,198 per year. Greater savings will be realized as PST salaries and staffing levels increase in the future should the City's fiscal health improve. This savings is a permanent reduction to annual payroll costs.

City of Lodi	Social Security	PARS
PST Employees	300	300
Annual Payroll Contribution	\$964,484	\$964,484
Employer Contribution Rate	x6.2%	x 0%
Retirement benefit Cost to City	\$59,798	None
PARS Administrative Fee	-	+\$3,600
Total Cost to City	\$59,798	\$3,600

Social Security Cost	\$59,798
Less PARS Admin. Fee	\$3,600
Savings to City of Lodi	\$56,198

2. The PARS plan is a turn-key administration. The Trust Administrator, Phase II Systems (PARS), handles all personnel and participant inquiries, performs monthly valuations of participant accounts, administers the distribution process, ensures reporting requirements, and assures government compliance.